

# The Gazette of India

सत्यमेव जयते

## EXTRAORDINARY PART II—Section 3—Sub-section (ii) PUBLISHED BY AUTHORITY

---

No. 111] NEW DELHI, SATURDAY, APRIL 29, 1961/VAISAKHA 9, 1883

---

### MINISTRY OF FINANCE

(Department of Economic Affairs)

#### NOTIFICATION

*New Delhi-2, the 29th April, 1961*

**S.O. 989.**—Whereas on the application of the Reserve Bank of India under sub-section (1) of section 45 of the Banking Companies Act, 1949 (Act 10 of 1949), the Central Government has made an order of moratorium in respect of the Travancore Forward Bank Ltd., Kottayam under sub-section (2) of the said section:

And whereas the Reserve Bank of India in exercise of the powers conferred by sub-section (4) of section 45 of the said Act has prepared a scheme for the amalgamation of the Travancore Forward Bank Ltd., with the State Bank of Travancore.

And whereas the Reserve Bank after having sent the said scheme in draft to the banking institutions concerned in accordance with the provisions of sub-section (6) of the said section and after having considered the suggestions and objections received in regard to the said scheme has modified that scheme and forwarded it to the Central Government for sanction.

Now therefore, in exercise of the powers conferred by sub-section (7) of section 45 of the said Act, the Central Government hereby sanctions the scheme on and subject to the terms and conditions hereinafter mentioned.

(1) The Travancore Forward Bank Ltd., shall be transferor bank and the State Bank of Travancore shall be the transferee bank.

(2) As from the date which the Central Government may specify for this purpose under sub-section (7) of section 45 of the said Act (hereinafter referred to as the prescribed date) all rights, powers, claims, demands, interests, authorities, privileges, benefits, assets, and properties of the transferor bank movable and immovable, including premises subject to all incidents of tenure and to the rents and other sums of money and covenants reserved by or contained in the leases or agreements under which they are held, all office furniture, loose equipment, plant, apparatus and appliances, books, papers, stocks or stationery, other stocks and stores, all investments in stocks, shares and securities, all bills receivable in hand and in transit, all cash in hand on current or deposit account (including money at call or short notice) with banks, bullion, all book debts, mortgage debts and other debts with the benefit of the securities, or any guarantee therefor, all other, if any, property rights and assets of every description including all rights of action and benefit of all guarantees in connection with the business of the transferor bank shall, subject to the other provisions of this scheme, stand trans-

ferred to, and become the properties and assets of, the transferee bank; and as from the prescribed date all the liabilities, duties and obligations of the transferor bank shall be and shall become the liabilities, duties and obligations of the transferee bank to the extent and in the manner provided hereinafter.

Without prejudice to the generality of the foregoing provisions all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the prescribed date shall be effective to the extent and in the manner hereinafter provided against or in favour of the transferee bank and may be acted upon as if instead of the transferor bank the transferee bank had been a party thereto or as if they had been issued in favour of the transferee bank.

If on the prescribed date any suit, appeal or other legal proceeding of whatever nature by or against the transferor bank is pending, the same shall not abate, or be discontinued or be in any way prejudicially affected, but shall, subject to the other provisions of this scheme, be prosecuted and enforced by or against the transferee bank.

If the transferor bank was acting immediately before the prescribed date as a foreman in respect of any kuri or chitty as defined in the Travancore Chitties Act (XXVI of 1120) or the Cochin Kuries Regulation (VII of 1107) the rights, duties and obligations in relation to the kuri or chitty shall be regulated in accordance with the following provisions, namely:—

- (i) the transferee bank shall become the foreman of the kuri or chitty and shall continue to exercise all powers and to do all such acts and things as would have been exercised or done by the transferor bank, in so far as they are not inconsistent with this scheme;
- (ii) the funds, if any, of the kuri or chitty lent to or deposited with the transferor bank, or otherwise due from that bank to the kuri or chitty, shall be transferred to the transferee bank and the liabilities corresponding to such funds shall also be payable by the transferee bank in accordance with the other provisions of this scheme;
- (iii) if on the prescribed date the transferor bank in its capacity as the foreman of any kuri or chitty has deposited any security for the due performance of its duties and obligations in relation to the said kuri or chitty, the said security shall continue to be available for the purposes for which it was intended, but shall if and to the extent that it is subsequently released be transferred to and vest in the transferee bank provided that the said security or as the case may be the surplus, if any, after providing for the discharge of the duties or obligations in respect of the kuri or chitty shall be valued at utilised for the purposes of this scheme.

If according to the laws of any country outside India the provisions of this scheme, by themselves are not effective to transfer or vest any asset or liability situated in that country which forms part of the undertaking of the transferor bank to or in the transferee bank, the affairs of the transferor bank in relation to such asset or liability shall, on the prescribed date, stand entrusted to the chief executive officer for the time being of the transferee bank and the chief executive officer may exercise all powers and do all such acts and things as would have been exercised or done by the transferor bank for the purpose of effectively winding up its affairs. The chief executive officer shall take all such steps as may be required by the laws of any such country outside India for the purpose of effecting such transfer or vesting and in connection therewith the chief executive officer may, either himself or through any person authorised by him in this behalf, realise any asset or discharge any liability of the transferor bank and transfer the net proceeds thereof to the transferee bank.

(3) The books of the transferor bank shall be closed and balanced and a balance sheet prepared in the first instance as at the close of business on the 17th December, 1960 and thereafter as at the close of business on the day immediately preceding the prescribed date and the balance sheets shall be got audited and certified by a Chartered Accountant or a firm of Chartered Accountants approved or nominated by the Reserve Bank of India for the purpose.

A copy each of the balance sheets of the transferor bank, prepared in accordance with the provisions of the foregoing paragraph, shall be filed by the transferor bank with the Registrar of Companies as soon as possible after it has been received and thereafter the transferor bank shall not be required to prepare balance sheets or profit and loss accounts or to lay the same before its members or file copies thereof with the Registrar of Companies.

(4) I. The transferee bank shall, in consultation with the transferor bank, value the property and assets and reckon the liabilities of the transferor bank in accordance with the following provisions, namely:—

- (a) Investments including Government securities shall be valued at the market rates prevailing on the day immediately preceding the prescribed date provided that the securities of the Central Government such as Post Office Certificates, Treasury Savings Deposit Certificates and any other securities or certificates issued under the small savings scheme of the Central Government shall be valued at their face value or the encashable value as on the said date, whichever is higher.
- (b) Where the market value of any Government security such as the Zamindari abolition bonds or other similar security in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such an amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security issued by the Government to which the security pertains and having the same or approximately the same maturity and other relevant factors.
- (c) Where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period.
- (d) Where the market value of any security, share, debenture, bond or other investment is not ascertainable only such value, if any, shall be taken into account as is considered reasonable having regard to the financial position of the issuing concern, the dividends paid by it during the preceding five years and other relevant factors.
- (e) Premises and all other immovable properties and any assets acquired in satisfaction of claims shall be valued at their market value.
- (f) Furniture and fixtures, stationery in stock and other assets, if any, shall be valued at the written down value as per books or the realisable value as may be considered reasonable.
- (g) Advances, including bills purchased and discounted, book debts and sundry assets will be scrutinised by the transferee bank and taken into account for the purpose of valuation to the extent to which they are reasonably considered recoverable, having regard to the value of the security including guarantees, if any, and other relevant considerations.

II. Liabilities for purposes of this scheme shall include all contingent liabilities which the transferee bank may reasonably be expected or required to meet out of its own resources on or after the prescribed date.

III. Where the valuation of any assets cannot be determined on the prescribed date, they may, with the approval of the Reserve Bank of India, be valued provisionally, pending a final valuation in terms of paragraph 7(iv).

In the event of any disagreement between the transferee bank and the transferor bank as regards the valuation of any asset or the determination of any liability, the matter shall be referred to the Reserve Bank of India whose opinion shall be final.

The valuation of the assets and the determination of the liabilities in accordance with the foregoing provisions shall be binding on both the banks and the members and creditors thereof.

(5) (i) In consideration of the transfer of the property and the assets of the transferor bank to the transferee bank, the transferee bank shall discharge in full the deposit and other outside liabilities of the transferor bank.

(ii) (a) The amount by which the value of the assets of the transferor bank as determined under paragraph (4) exceeds the deposit liabilities excluding therefrom the payments made during the moratorium period but including interest computed up to the 17th December, 1960, and the outside liabilities other than deposit liabilities, shall be distributed among the shareholders of the transferor bank in propor-

tion to the amounts paid by them on their shares in that bank in the manner indicated in sub-clause (b), and the amount representing the difference between the book value of the paid-up capital and reserves of the transferor bank immediately before the prescribed date and the excess as aforesaid shall be treated as a provision for bad and doubtful debts and depreciation in other assets of that bank.

(b) As soon as the amount due to the shareholders of the transferor bank has been determined, the transferee bank shall notify to each such shareholder the amount due to him, and

- (aa) if within one month of the despatch of the notice a shareholder of the transferor bank asks for the disbursement of the amount due in cash, or partly in cash and partly by way of shares in the transferee bank, the transferee bank shall disburse the amount due accordingly, and
- (bb) if during the aforesaid period of one month a shareholder has not indicated his preference as to the mode of payment, or has asked for the payment to be made in any other form, the amount due to him may be disbursed by the transferee bank in cash.

Provided that for the purposes of the payment by way of shares in the transferee bank in the manner referred to in this clause, each share in the transferee bank of Rs. 100/- fully paid up shall be valued at such rate as may be determined by the Reserve Bank of India and provided also that the balance, if any, after disbursing to a shareholder the requisite number of shares, shall be paid to him in cash.

Provided further that if the amount due to a shareholder is less than that required for allotment to him of one share, the amount shall be paid to him by the transferee bank in cash.

(iii) The transferee bank shall, in respect of every savings bank account or current account, or any other deposit including a fixed deposit, cash certificate, monthly deposit, deposit payable at call or short notice, or any other deposit by whatever name called, with the transferor bank, open with itself, on the prescribed date, a corresponding and similar account, in the name of the respective holder(s) thereof and credit thereto the balance standing to the credit of the respective account as on the 17th December, 1960 including interest computed upto that date less payments made during the moratorium period and thereafter the entire balance credited in accordance with the provisions of this paragraph shall be payable in full.

(6) Notwithstanding anything to the contrary contained in any contract, express or implied, no interest shall accrue on account of a deposit or other liability in any account mentioned in paragraph (5) after the 17th December, 1960 and interest shall be paid only in respect of new accounts opened with the transferee bank in terms of and credited in accordance with the provisions of that paragraph and only at such rates as the transferee bank may allow.

(7) (i) The transferee bank, may, if it so considers necessary, as soon as may be after the prescribed date, call upon every person who on the prescribed date was registered as the holders of a share in the transferor bank (or who would have been entitled to be so registered) to pay within three months from such date as may be specified the uncalled amount remaining unpaid by him in respect of any such share and the calls in arrears, if any, and the transferee bank shall take all reasonable steps to demand and enforce the payment of the amounts due under this paragraph together with interest at six per cent per annum for the period of the default.

(ii) The transferee bank shall in addition take all available steps to demand and enforce the payment of the amounts, if any, awarded as damages by the High Court against any promoter director, manager or other officer of the transferor bank under section 45L of the Banking Companies Act read with section 45H thereof and also with section 543 of the Companies Act, 1956.

(iii) The transferee bank shall pay the balance, if any, which may be available from out of the contingent liabilities as reckoned for purpose of this scheme after the extent of such liabilities has been finally ascertained, and the amounts if any, recovered by it under clauses (i) and (ii) of this paragraph after—

- (a) deducting therefrom the expenditure incurred for that purpose, and
- (b) reimbursing itself to the extent of such sums as represent the shortfall, if any, resulting from the aggregate value of the deposit and other outside liabilities of the transferor bank which the transferee bank has to discharge in full in terms of paragraph (5) exceeding the aggregate value of the assets of the transferor bank as determined in terms of paragraph (4) on the prescribed date,

into a suspense account to be utilised in the manner indicated in clause (v) of this paragraph.

(iv) on the expiry of six years from the prescribed date, the transferee bank shall, in consultation with and with the approval of the Reserve Bank of India, value the assets which have on the prescribed date been valued provisionally and the advances including bills purchased and discounted, book debts and sundry assets, if any, which, in accordance with the provisions of paragraph (4) of this scheme have on the prescribed date been valued at less than their book value, and which remain unrealised on the books of the transferee bank, having regard to the realisations on account of the said assets, the nature of the securities available and other relevant considerations. The excess, if any, of the value so arrived at and the amounts recovered in respect of the aforesaid assets, during the said period, after deducting therefrom the expenditure incurred for the purpose, over the value at which the relative assets, including advances, were taken over on the prescribed date, shall be available for distribution in terms of the succeeding clause.

(v) The transferee bank shall as soon as the valuation referred to in clause (iv) of this paragraph has been completed, make out of the amounts credited by it to the suspense accounts mentioned in clause (iii), or out of the amounts available for distribution, in terms of clause (iv), the following adjustment or payments, namely,

- (a) the transferee bank shall in the first instance transfer to itself, as its income or otherwise, an amount equal to the shortfall, if any, in the value of the assets which on the prescribed date have been valued provisionally and the advances including the bills discounted and purchased, book debts and sundry assets, if any, which in accordance with the provisions of paragraph (4) of this scheme have on the prescribed date been valued at less than their book value, the amount of the said shortfall being estimated as the deficiency, if any, in the valuation of the said items on the date of the said adjustment as compared with their valuation on the prescribed date;
- (b) the transferee bank shall thereafter make payments to the shareholders of the transferor bank whose right or title to a share or to the value represented by a share in the transferor bank immediately before the prescribed date has been adjusted in accordance with the provisions of this scheme.

Provided that the payment in the case of each shareholder shall be in proportion to the amounts paid by him on his old shares less the amount disbursed to him in cash or by allotment or transfer of shares in the transferee bank in terms of clause (ii) of paragraph (5).

Provided further that the transferee bank shall give to any shareholder to whom payment may be due in accordance with the provisions of this clause, such reasonable notice, not exceeding three months and not being less than one month as it may consider appropriate, of the payment being due, and

- (a) if during the period of this notice, a request has not been received in writing for the payment of the amount due in cash and if the amount of the payment due is also not less than the price of the share as determined by the Reserve Bank, the transferee bank shall allot to the payee a share or shares in the transferee bank to the extent possible, and disburse in cash the balance, if any, of the amount which may be due; and
- (b) if the conditions mentioned in sub-clause (a) above are not fulfilled, the transferee bank shall disburse the amount in cash.

Provided further that the allotment of the shares or the payments aforesaid shall in each case be made before the end of six months from the date on which notice of the payment falling due is deemed to have been served in accordance with the provisions of this scheme.

(8) For the purpose of allotment to the shareholders of the transferor bank of shares in the transferee bank in terms of the foregoing paragraphs

- (i) the issued capital of the transferee bank shall be increased and it shall also be lawful for the transferee bank to issue shares to such an extent as may be necessary; or

- (ii) an amount equivalent to the value of the shares of the transferee bank which are to be issued in pursuance of the provisions of this scheme shall be paid by the transferee bank in cash to the State Bank of India and in consideration of the amount so paid, the State Bank of India shall, out of the shares held by it in the transferee bank, transfer shares of an equivalent amount.
- (9) Notwithstanding anything contained in the foregoing paragraphs, the allotment of shares under this scheme shall not be made in such a manner that—
- (i) the State Bank of India holds at any time less than fifty five per cent of the issued capital of the transferee bank or
- (ii) any person other than the State Bank of India, a State Government, a Corporation, an insurer as defined in the Insurance Act, 1938, a local authority, a cooperative society or a trustee of a public or private religious or charitable trust, comes to be registered as a shareholder, whether in his own name or jointly with any other person, of more than two hundred shares in the transferee bank, and for securing the above, the number of shares issuable to any person under this scheme, shall, if necessary, be reduced proportionately, payment being made in cash instead of in shares to that extent.
- (10) No depositor or other creditor of the transferor bank shall be entitled to make any demand against the transferor bank or the transferee bank in respect of any liability of the transferor bank to him except to the extent provided for by this scheme.
- (11) No suit or other legal proceedings shall lie against the Central Government, the Reserve Bank of India or the transferee or the transferor banks for anything which is in good faith done or intended to be done in pursuance of this scheme.
- (12) All the employees of the transferor bank other than Shri M. M. Mathew Deputy Secretary, shall continue in service and be deemed to have been appointed by the transferee bank at the same remuneration and on the same terms and conditions of service as were applicable to such employees immediately before the 18th December, 1960.
- Provided that where any employee of the transferor bank has by notice in writing given to the transferee bank at any time before the expiry of one month next following the date on which this scheme has been sanctioned by the Central Government intimated his intention of not becoming an employee of the transferee bank, he shall be entitled to the payment of such compensation, if any, under the provisions of the Industrial Disputes Act, 1947 and such pension, gratuity provident fund and other retirement benefits as may be ordinarily admissible under the rules or authorisations of the transferor bank immediately before the 18th December, 1960.
- Provided further that the transferee bank shall in respect of the employees of the transferor bank who are deemed to have been appointed as employees of the transferee bank be deemed also to have taken over liability for the payment of retrenchment compensation in the event of their being retrenched while in the service of the transferee bank, on the basis that their service has been continuous and has not been interrupted by their transfer to the transferee bank.
- (13) Notwithstanding anything contained in any law for the time being in force or any agreement or contract, Shri M. M. Mathew, Deputy Secretary of the transferor bank shall be entitled to and/or only to such pension, gratuity, provident fund and other retirement benefits as may be ordinarily admissible to him under the rules or authorisations of the transferor bank immediately before the 18th December, 1960.
- Provided that the compensation if any for the loss of employment, so far as it relates to the unexpired portion of any contract of service, shall be such and only such as may be determined by the Reserve Bank (whose determination in this respect shall be final and binding), and
- Provided further that nothing herein shall be deemed to prevent the transferee bank from re-employing the said Shri M. M. Mathew in such capacity and on such terms and conditions as the transferee bank may deem fit.
- (14) The transferee bank shall on the expiry of a period not longer than three years from the date on which this scheme is sanctioned pay or grant to the employees of the transferor bank the same remuneration and the same terms and

conditions of service as are applicable to the employees of corresponding rank or status of the transferee bank, subject to the qualifications and experience of the said employees of the transferor bank being the same as or equivalent to those of such other employees of the transferee bank.

Provided that if any doubt or difference arises as to whether the qualifications or experience of the said employees are the same as or equivalent to the qualifications and experience of the other employees of corresponding rank or status of the transferee bank or as to the procedure or principles to be adopted for the fixation of the pay of the employees in the scales of pay of the transferee bank, the doubt or difference shall be referred to the Reserve Bank of India whose decision thereon shall be final.

(15) The trustees or administrators of the provident fund constituted for the employees of the transferor bank or the transferee bank as the case may be shall on or as soon as possible after the prescribed date transfer to the trustees of the employees provident fund constituted for the transferee bank or otherwise as the transferee bank may direct, all the monies and investments held in trust for the benefit of the employees of the transferor bank.

Provided, however, that such latter trustees shall not be liable for any deficiency in the value of investments, or in respect of any act, neglect, or default done before the prescribed date.

(16) The transferee bank shall submit to the Reserve Bank of India such statements and information as may be required by the Reserve Bank of India from time to time regarding the implementation of this scheme.

(17) Any notice or other communication required to be given by the transferee bank shall be considered to be duly given if addressed and sent by pre-paid ordinary post to the addressee at the address registered in the books of the transferor bank, until a new address is registered in the books of the transferee bank, and such notice shall be deemed to be served on the expiry of forty-eight hours after it has been posted. Any notice or communication which is of general interest, shall be advertised in addition in one or more daily newspapers which may be in circulation at the places where the transferor bank was transacting its business.

(18) If any doubt arises in interpreting any of the provisions of this scheme, the matter shall be referred to the Reserve Bank of India and their opinion shall be conclusive and binding on both the transferee and transferor banks, and also on all the members, depositors and other creditors and employees of each of those banks, and on any other persons having any right or liability in relation to any of those banks.

(19) If any difficulty arises in giving effect to the provisions of this scheme, the Central Government may issue to the transferor and the transferee banks or to either of them such directions not inconsistent with this scheme as may appear to the Central Government, after consulting the Reserve Bank of India, to be necessary or appropriate for the purpose of removing the difficulty.

[No. F. 4(151)-BC/60.]

R. K. SESHADRI, Dy. Secy.

